

E-111/MR-89-424APPROVING PASS THROUGH OF SUPPLIER RATE CREDIT AND
REQUIRING FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Dakota Electric Association's
Proposal to Offer a Rate Credit to Large
Commercial and Industrial Customers

ISSUE DATE: September 8, 1989

DOCKET NO. E-111/MR-89-424

ORDER APPROVING PASS THROUGH OF
SUPPLIER RATE CREDIT AND
REQUIRING FILINGS

PROCEDURAL HISTORY

On June 14, 1989, Dakota Electric Association (DEA or the Company) filed a proposal to offer a rate credit to Large Commercial and Industrial (C&I) Customers. The rate credit is a flow through of a rate credit offered to DEA by its supplier, Cooperative Power Association (CPA). Under the proposal, a customer with annual consumption between 200,000 and 500,000 KWHs would receive a rate discount of 12 mills per KWH. All annual consumption over 500,000 KWH would receive a rate discount of 8 mills per KWH.

The Minnesota Department of Public Service (Department or DPS) filed comments on July 20, 1989, supporting the Company's proposal.

On August 1, 1989, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments opposing the Company's proposal. The RUD-OAG argued that the proposal was unreasonably discriminatory and unreasonably promoted energy use.

The Company responded to the RUD-OAG's filing on August 7, 1989.

The Commission met on August 8, 1989 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether DEA's proposal results in just and reasonable rates as required by Minn. Stat. § 216B.03 (1988).

The rate credit is a flow through of a rate credit offered by CPA and made available to DEA's C&I customers who use over 200,000 KWH annually. The Commission has approved flow through credits of this type in similar situations. See, In the Matter of Interstate Power Company's Request to Charge Specific Large Volume Interruptible Gas Customers a Rate That Reflects the Cost of Gas Obtained under an Alternate Commodity Service Offered by Northern Natural Gas Company, Docket No. G-001/M-88-955; In the Matter of Peoples Natural Gas Company's Proposal to Revise its Purchased Gas Adjustment Tariff to Account for Special Gas Packages Available for Certain End-Use Customers, G-011/M-88-383.

Discrimination Issue

Minn. Stat. 216B.03 (1988) prohibits utilities from charging unreasonably discriminatory rates. The RUD-OAG has argued that the 200,000 KWH threshold is unreasonably discriminatory. The Commission disagrees.

The Commission recognizes that the Company wants to pass along a credit from its supplier to those customers who make the greatest contribution to fixed costs, customers with large loads. Further, DEA's competitors will be offering this rate credit to C&I customers. Finally, DEA indicated that its supplier has excess capacity and increasing usage through this rate credit will benefit all ratepayers.

The Commission finds that the Company has established a threshold that would allow a credit large enough to stimulate some growth and also include as many C&I customers as possible. The Commission is committed to energy conservation and is not persuaded that this pass-through rate credit will encourage customers to imprudently increase their energy usage. Also, the credit is big enough to influence these large customers in choosing their energy supplier and will allow DEA to compete with other suppliers in its area. These goals are reasonable. If the total credit amount were spread over all levels of consumption, the per customer credit would be very small and would have minimal impact on purchasing decisions.

The Commission also finds that application of the credit is exactly the same for all affected members in the C&I class and will not result in any intraclass discrimination. This proposal will benefit some customers and harm none. The Commission concludes that the threshold for the credit is reasonable and is not unreasonably discriminatory.

Application of the Credit

The Company asked that the credit be based on annual consumption beginning January 1, 1989. The Commission notes that the credit is based on annual consumption and finds that it is reasonable to approve the credit for consumption beginning January 1, 1989 so that it can be distributed shortly after December 31 of this year. Further, other cooperatives who compete with DEA for large customers will offer the credit based on annual consumption beginning January 1, 1989.

The Commission finds that the Company's proposed pass-through credit results in rates that are just and reasonable and will approve the Company's proposal.

The Commission believes that the operation of this credit should be monitored. There is a possibility, noted by the RUD-OAG, that it may lead customers to unreasonably increase their electricity usage. This is something of which the Commission should be promptly apprised. Therefore, the Commission will require the Company to file a report addressing, but not necessarily limited to: the number of customers that receive the credit; the total credit received by each customer; the increase in annual energy use per customer compared to the previous year; and DEA's evaluation of the credit. The report should be filed on or before March 1, 1990.

Finally, the Commission recognizes that the Company offers conservation programs to its C&I customers and has indicated an interest in expanding its conservation efforts for these customers. The Commission will order the Department and the Company to file an evaluation of current conservation programs available to the Company's C&I customers and make recommendations for future conservation programs for these classes. This evaluation may be included in the Company's March 1, 1990 report.

ORDER

1. Dakota Electric Association's proposal to offer a rate credit to Large Commercial and Industrial customers is hereby approved.
2. On or before March 1, 1990, the Company shall file a report on the operation of the rate credit as described above.

3. On or before March 1, 1990, the Company and the DPS shall file an evaluation of the Company's current conservation programs offered to C&I customer classes including recommendations for future conservation programs for these classes.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)